



Ajunied- Hougang Town Council

Monthly Report on Progress

KPMG LLP

15 April 2016

This report contains 42 pages



Aljunied-Hougang Town Council
Monthly Report on Progress

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Glossary of terms

The following terms are used in this report with specific meanings as follows.

Term	Definition
Accountants	Accountants appointed pursuant to the Court Order
Accounting System	Accounting platform used by AHTC to record and account for its transactions
AGO	Auditor-General's Office of Singapore
AGO's Report	AGO's audit report of AHPETC dated 6 February 2015
AHPETC	Aljunied-Hougang-Punggol East Town Council
AHTC	Aljunied-Hougang Town Council and, generically, AHPETC and/or AHTC over their combined operations over time
Audit Points	Areas in which AHTC did not comply with s35(c) of the TCA and/or the TCFR as identified in the Audit Reports
Audit Reports	Audit Alliance LLP independent audit report dated 29 June 2015 on AHPETC's financial statements for FYE 2014 Audit Alliance LLP independent audit report dated 24 August 2015 on AHPETC's financial statements for FYE 2015 The AGO's Report
Court Order	Order of the Court in <i>Attorney-General v AHPETC</i> , Civil Appeal No. 114 of 2015 in respect of the appointment of Accountants by AHTC
Finance Department	The AHTC department responsible for finance and accounting
FMSI	FM Solutions and Integrated Services (a sole proprietorship)
FMSS	FM Solutions & Services Pte. Ltd.
FYE	Financial year ended 31 March
GST	Goods & Services Tax
HDB	Housing Development Board
KPMG	KPMG LLP
MND	Ministry of National Development
Monthly Report	KPMG's monthly written progress report on the fifteenth day of each month, or the business day immediately preceding it where the fifteenth day is not a business day, commencing on 15 April 2016
Operating Fund	A Town Council fund for short-term routine expenditure, e.g. estate cleaning, repairs and maintenance
Related Parties	FMSI and FMSS
Remediation Plans	The steps that AHTC is taking to remedy the Unresolved Audit Points
S&CC	Service and Conservancy Charges
SGD	Singapore dollar
Sinking Fund	Fund established and maintained by Town Councils for improvements, management and maintenance relating to residential and commercial properties in their towns
TCA	Town Councils Act (Cap. 329A)
TCFR	Town Councils Financial Rules
Unresolved Audit Points	Audit Points that are unresolved as at the date of the Monthly Report i) because the Remediation Plans have not yet been fully implemented; ii) because the Remediation Plans have been implemented but not yet fully tested by KPMG; or iii) because of identified shortcomings in that they have not yet been remedied



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1 Our engagement

1.1 This report

1.1.1 This is the first progress report (the “Monthly Report”) issued by KPMG LLP (“KPMG”) in accordance with the Order of the Court (the “Court Order”) in *Attorney-General v AHPETC*, Civil Appeal No. 114 of 2015. The terms of reference derived from the Court Order and agreed between Aljunied-Hougang Town Council (“AHTC”) and the Housing Development Board (“HDB”) are as follows¹:

- To assist AHTC in identifying all outstanding non-compliance (the “Unresolved Audit Points”) with s35(c) of the Town Councils Act (Cap. 329A) (the “TCA”);
- To advise AHTC on the steps that must be taken to remedy such outstanding non-compliance;
- Until the Accountants are reasonably satisfied that AHTC is fully compliant with s35(c), to produce Monthly Reports on the above for AHTC's submission to HDB (which HDB may in turn make publicly available on the first day of every month) commencing 15 April 2016. Such reports are to provide sufficient details of:
 - AHTC's Unresolved Audit Points; and
 - The steps that AHTC is taking to remedy the Unresolved Audit Points (the “Remediation Plans”);
- To establish whether any past payments made by Aljunied-Hougang-Punggol East Town Council (“AHPETC”), and/or past payments made by AHTC between 1 October 2015 and 27 November 2015, were improper and ought to be recovered;
- To issue a report on findings as regards the past improper payments (the “Past Payments Report”) by 31 August 2016, or by such other date as may be agreed with AHTC (with the consent of the HDB), or as ordered by the Court; and
- For the avoidance of doubt, “outstanding non-compliance” refers to issues identified (the “Audit Points”) in the report (“the AGO's Report”) of the Auditor-General's Office of Singapore (the “AGO”) and in subsequent accountant's reports for financial years ended 31 March (“FYE"s) 2014 and 2015 (together with the AGO's Report, the “Audit Reports”).

1.1.2 Accordingly, we are required to submit a Monthly Report on the fifteenth day of each month² commencing on 15 April 2016. The Past Payments Report, which has yet to be issued, is separate to this Monthly Report.

1.1.3 The Court Order requires the Monthly Report to contain:

- The Unresolved Audit Points; and

¹ Subject to minor editorial changes and updates to match the definitions used in this Monthly Report.

² Or the business day immediately preceding it where the fifteenth day is not a business day.



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- The Remediation Plans and the progress of AHTC in implementing them.

1.1.4 The Monthly Report is to be issued until the Audit Points have been resolved or our engagement is terminated, whichever is the earlier. This Monthly Report consists of three parts:

- This introduction and background to our engagement;
- A summary of our monthly findings to date; and
- Detailed descriptions of our work and findings.

1.1.5 Our procedures do not constitute an audit, a review or an assurance engagement made in accordance with Singapore Standards on Auditing, Singapore Standards on Review Engagements or Singapore Standards on Assurance Engagement. We are not qualified to provide legal advice. We are also not responsible or accountable for the management, conduct and operation of AHTC's business and affairs. Our findings and comments are based on our understanding of the law, regulations and guidelines, and should not be construed as constituting legal advice by us.

1.1.6 Our engagement is directed at compiling information to report on certain matters, and cannot be relied upon to disclose all fraud, defalcations or other irregularities or any non-compliance with relevant laws and regulations other than s35(c) of the TCA. Our Monthly Reports are not to be used for any purpose outside the terms of reference as described at paragraph 1.1.1.

1.1.7 Our report is strictly for the purpose of assisting and updating AHTC and HDB on the matters highlighted in our report. Our report should not therefore be regarded as suitable for use by any other person or for any other purpose. Should they choose to rely on the report they do so at their own risk. KPMG will accordingly accept no responsibility or liability in respect of it to persons other than AHTC or HDB.

1.2 Background

Aljunied-Hougang Town Council

1.2.1 Following the General Election on 7 May 2011, Aljunied Town Council and Hougang Town Council merged to form AHTC on 27 May 2011. AHTC was subsequently reconstituted as AHPETC with effect from 22 February 2013, following the by-election for Punggol East Single Member Constituency. Following the General Election on 11 September 2015, AHPETC was reconstituted as AHTC on 1 October 2015.

1.2.2 AHTC manages HDB estates in Aljunied Group Representation Constituency (which consists of Bedok Reservoir – Punggol, Eunos, Kaki Bukit, Paya Lebar and Serangoon Divisions) and Hougang Single Member Constituency. More than 50,000 dwelling units, shops and hawker stalls come under AHTC's purview.



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The Town Councils Act

1.2.3 The TCA provides for the incorporation of town councils to control, manage, maintain and improve the common property of housing estates of HDB, their constitution and functions.

1.2.4 Section 35 of the TCA reads:

Accounts

35. A Town Council shall:

- a) Keep proper accounts and records of its transactions and affairs;
- b) Keep proper and separate accounts for the funds established under section 33(1) and (4); and
- c) Do all things necessary to ensure that all payments out of its moneys are correctly made and properly authorised and that adequate control is maintained over the assets of, or in custody of, the Town Council and over the expenditure incurred by the Town Council.

1.2.5 In addition to s35 of the TCA, town councils are also obliged to comply with the rules in the Town Councils Financial Rules (the "TCFR"). The TCFR govern operational matters such as the authority to sign cheques and incur expenditure on behalf of the town council.

The Audit Reports

1.2.6 The AGO released the AGO's Report, dated 6 February 2015, on its audit of AHPETC, which identified areas in which AHPETC was not compliant with s35(c) of the TCA and/or the TCFR.

1.2.7 Audit Alliance LLP issued disclaimers of opinion on AHPETC's financial statements for FYEs 2014³ and 2015⁴, which also indicated areas in which AHPETC was potentially not compliant with s35(c) of the TCA.

The Court Order

1.2.8 On 27 November 2015, the Court of Appeal of Singapore ordered AHTC (then AHPETC) to appoint an independent firm of accountants (the "Accountants") to assist with, among other things, identifying outstanding Audit Points and advising on measures to remedy them. KPMG was appointed as Accountants by AHTC on 1 March 2016 pursuant to the Court Order.

³ Dated 29 June 2015

⁴ Dated 24 August 2015



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1.3 Our scope

1.3.1 Our scope of work in respect of the Audit Points is below:

- Review the Audit Reports.
- Identify the Audit Points.
- Perform the following steps:
 - Identify through review of policies and procedures and supporting documents (including but not limited to meeting minutes, correspondence, accounting records, payment vouchers, purchase orders, contracts, invoices, debit and credit notes and variation orders) and interviews of staff members of AHTC, whether a system of internal controls has been implemented in respect of each Audit Point;
 - Perform a sample end-to-end walkthrough⁵ of the system of internal controls in respect of each Audit Point to ascertain whether operations are conducted in accordance with the system of internal controls that has been implemented;
 - Where applicable, perform sample testing to ascertain the effectiveness of the system of internal controls for each Audit Point;
 - Identify all Unresolved Audit Points, either because of control design or operating effectiveness;
 - For the Unresolved Audit Points, review the adequacy of AHTC's Remediation Plans, if any;
 - Advise AHTC on potential remediation steps for inclusion in the Remediation Plans for the Unresolved Audit Points; and
 - Periodically revisit the Unresolved Audit Points until they are resolved or our engagement is terminated, whichever is the earlier.

1.4 Our approach

1.4.1 We have reviewed the Audit Reports and identified the Audit Points. The Monthly Report deals with these thematically, using categories identified in the AGO's Report as follows:

- Management of Sinking Fund⁶;
- Governance of related party transactions;
- Management of Service and Conservancy Charges ("S&CC") arrears;
- Internal controls and procurement; and

⁵ A process by which the step-by-step performance of key activities is observed and understood.

⁶ Fund established and maintained by Town Councils for improvements, management and maintenance relating to residential and commercial properties in their towns.



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- Records management and accounting.

1.4.2 We observed in respect of a number of the Audit Points that they had common root causes. We have also made recommendations in relation to these root causes.

1.4.3 We have provided a listing of the Audit Points to AHTC and obtained its Remediation Plans for each Audit Point. AHTC accepts that the Audit Points require remediation and has implemented or intends to implement its Remediation Plans.

1.4.4 We are reviewing the information made available to us by AHTC to identify the Unresolved Audit Points and root causes as follows:

- For those Audit Points and root causes where Remediation Plans have already been implemented by AHTC, we are testing the remedial measures to either:
 - Satisfy ourselves that the Audit Point is resolved; or
 - Where relevant, make recommendations for further remedial measures.
- For those Unresolved Audit Points and root causes where remedial measures have not yet been implemented by AHTC, we are reviewing AHTC's Remediation Plans to, where appropriate, make recommendations.
- For Unresolved Audit Points where individual transactions were identified, we are reviewing those transactions to determine whether the Audit Point has been resolved. Where it has not, we are reviewing AHTC's Remediation Plans to, where appropriate, make recommendations.

1.4.5 The Remediation Plans and recommendations for the Audit Points are presented in the thematic sections as described at paragraph 1.4.1 above. As testing and review is still ongoing, the recommendations in our Monthly Reports are preliminary in nature, and hence may be refined, and will not be complete until the Audit Points are resolved.



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2 Summary of status as of April 2016 Monthly Report

2.1 Root causes of certain Audit Points

2.1.1 There are a number of root causes that are fundamental to a number of the Audit Points; and/or present systemic difficulties for AHTC in effectively and/or efficiently discharging its obligations under s35(c) of the TCA.

2.1.2 These root causes relate to the following areas:

- AHTC's governance framework and policy management;
- AHTC's accounting practices;
- The AHTC department responsible for finance and accounting's (the "Finance Department") capability and management personnel retention; and
- The accounting platform used by AHTC to record and account for its transactions (the "Accounting System").

2.1.3 We recommend that AHTC implements the measures below to address the root causes. AHTC should consider:

- Implementing a framework to cover operational and financial governance and policy management, in particular developing an accounting manual and Code of Business Conduct.
- Ensuring the general ledger control accounts in the Accounting System are appropriately configured so that the balances in the general ledger accounts are derived from, and balances match with, the corresponding sub-ledgers.
- Carrying out balance sheet substantiation, i.e. conducting a process to check that the balances held in the Accounting System reconcile with balances in supporting sub-ledgers and transaction records.

2.1.4 As our review is still ongoing, these recommendations are preliminary in nature and may be refined in the course of this engagement.

2.2 Summary of Remediation Plans as of 13 April 2016

2.2.1 AHTC's Remediation Plans as of 13 April 2016 include the following:

- Strengthening its Finance Department management by hiring more managerial staff; AHTC informs us that it has recruited a second Deputy Finance Manager.
- An initiative to review AHTC's policies and procedures, including areas where enhancement or development is required, led by AHTC's Head of Corporate Services.
- Issuance in January 2016 of guidelines on the types of expenses for which the Sinking Fund may be used.



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- Issuance on 15 July 2015 of a Conflict of Interest policy. Further enhancements recommended by KPMG have been agreed by AHTC.
- Issuance on 29 January 2016 and 22 March 2016 of a tender for prequalification of contractors for the "Design, Development including the supply, Installation & Commissioning of IT Hardware & ERP⁷ Software" to replace the current Accounting System financial modules and incorporate other improvements⁸.
- In the interim, an external consultant has worked with AHTC to write a script to generate S&CC⁹ arrears reports that meet HDB's requirements. AHTC informs us that it is currently able to generate the data for such reports, which is then entered into a standard template manually. AHTC expects its Accounting System to be able to generate the S&CC arrears reports without the need for manual transfer of data from mid to late April 2016 onwards.
- Since the AGO's Report, AHTC has implemented procurement and payment-related policies, and supporting procedures/process flows, which include the calling of quotations and tenders, delegations of authority, issuance of written instructions and work orders, closing of work orders and invoicing, accounts payable and payments.
- Since the AGO's Report, AHTC has implemented accounting processes and controls, which include monthly bank reconciliations, surprise cash examinations, safeguarding of cheques, physical access to and security of items in its safe and strong room.

2.3 Status of the Audit Points

2.3.1 The status of the Audit Points is summarized in the table below using the following descriptions:

- Resolved: the Audit Point has been remedied such that we are reasonably satisfied that AHTC is compliant with s35(c) of the TCA in this respect;
- Remedial measures taken by AHTC: Remediation Plans have been provided by AHTC and implemented either in part or in whole;
- Further recommendations made by KPMG: KPMG's review of the Remediation Plans indicates that further elements should be included in the Remediation Plans and recommendations have been made to AHTC. Those recommendations which have been accepted by AHTC as of 13 April 2016 are included in the Remediation Plans; and
- Open: the Audit Point is pending our review or receipt of information from AHTC.

⁷ Enterprise Resource Planning, a system designed to assist organizations with the planning and management of their activities.

⁸ Including replacing the financial functions of the Accounting System, incorporating a point-of-sale system, and interfacing with AHTC's estate management system to facilitate automated data transfer.

⁹ Service and Conservancy Charges.

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Report Section	Audit Point	Status of Audit Point as of 13 April 2016			
		Resolved	Remedial measures in progress		Open
			Remedial measures taken by AHTC	Further recommendations made by KPMG	
4.	Management of Sinking Fund¹⁰				
4.3.	Incorrect computation of required transfers to the Sinking Fund, and/or shortfall or delay in transfer to Sinking Fund bank accounts		✓	✓	
4.4.	Incorrect use of Sinking Fund monies		✓	✓	
5.	Governance of related party transactions				
5.2.	Incomplete disclosure of transactions with the Related Parties ¹¹ in the financial statements		✓	✓	
5.3.	Waiver of open tenders and competitive quotations for services provided by the Related Parties		✓	✓	

¹⁰ Fund established and maintained by Town Councils for improvements, management and maintenance relating to residential and commercial properties in their towns.

¹¹ FM Solutions & Services Pte. Ltd. ("FMSS") and FM Solutions and Integrated Services (a sole proprietorship; "FMSI", together, the "Related parties").



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Report Section	Audit Point	Status of Audit Point as of 13 April 2016			
		Resolved	Remedial measures in progress		Open
			Remedial measures taken by AHTC	Further recommendations made by KPMG	
5.4.	Lack of disclosures, due diligence and assessment of potential conflicts of interest prior to awarding contracts to the Related Parties		✓	✓	
5.5.	Weaknesses in the approval of payments to the Related Parties		✓	✓	
5.6.	Approvals for services obtained and written agreements executed after the awarding and commencement of services provided by the Related Parties		✓	✓	
6.	Management of S&CC arrears				
6.2.	Management of S&CC arrears		✓	✓	
7.	Internal controls and procurement				
7.2.	Weaknesses in the performance of bank reconciliations		✓	✓	
7.3.	Weaknesses in controls over cheques received and valuable items and access to the strong room and safe	✓			

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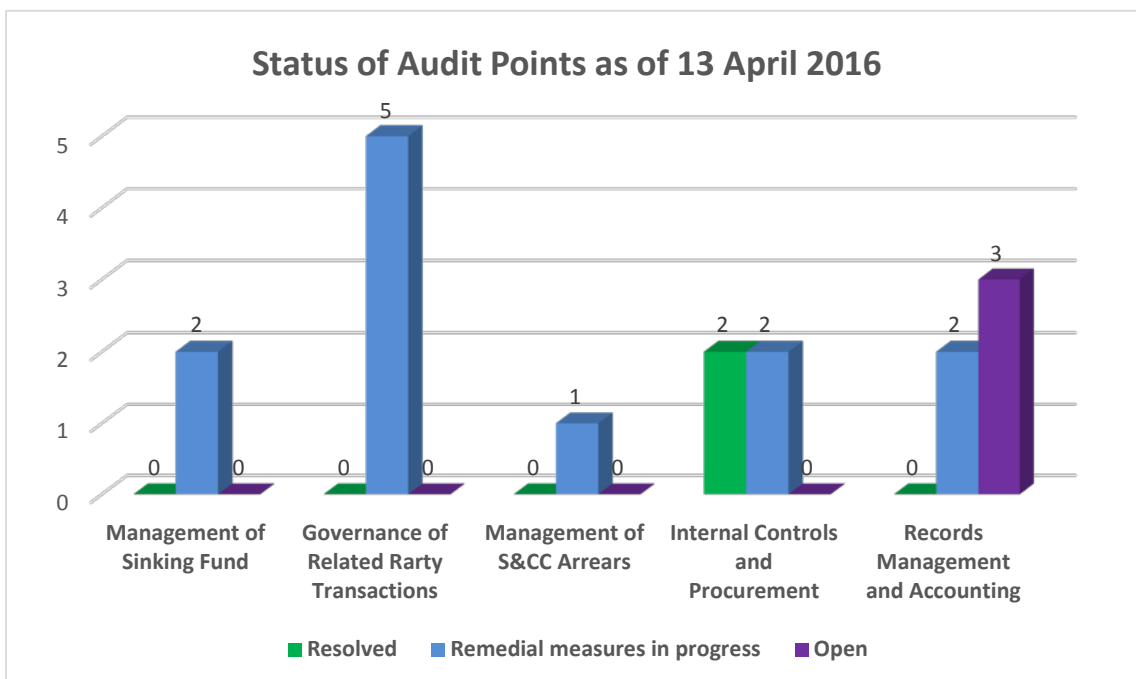
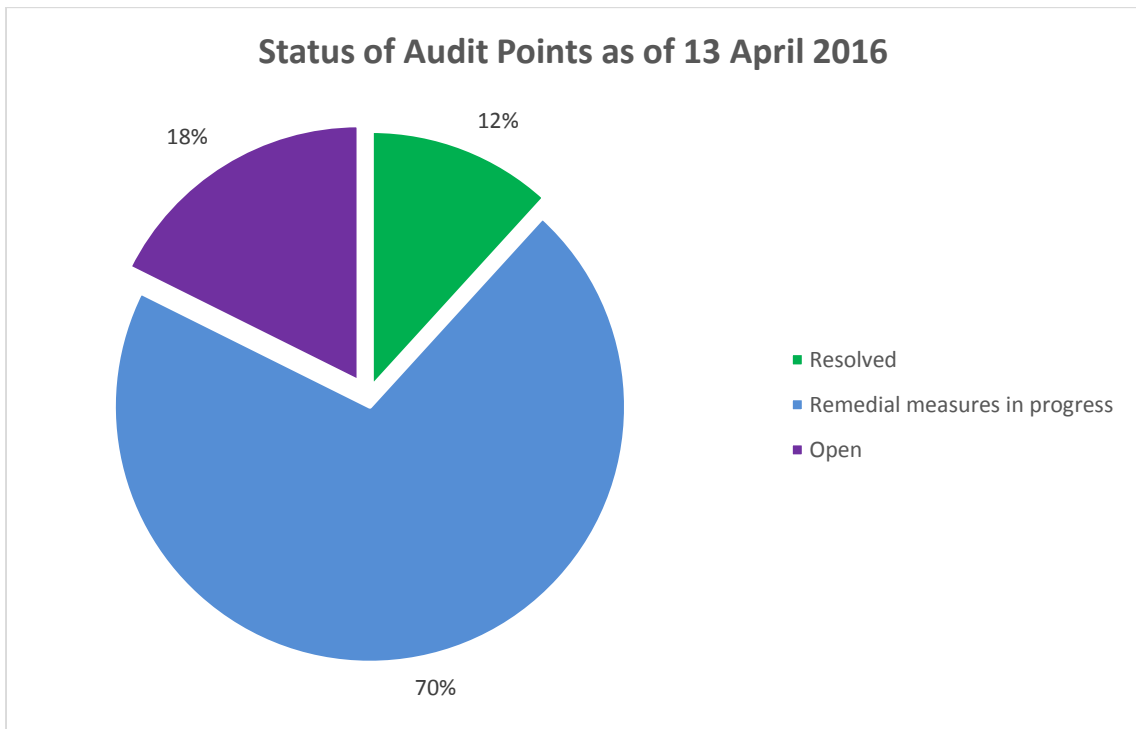
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Report Section	Audit Point	Status of Audit Point as of 13 April 2016			
		Resolved	Remedial measures in progress		Open
			Remedial measures taken by AHTC	Further recommendations made by KPMG	
7.4.	Surprise examinations not conducted in accordance with TCFR	✓			
7.5.	Weaknesses in procurement and payment-related processes		✓	✓	
8.	Records management and accounting				
8.2.	Weaknesses in the handover process and safeguarding of accounting records		✓	✓	
8.3.	Untimely recording of lift repairs and upgrading expenses, and absence of guidelines for verification of works and issuance of work orders		✓	✓	
8.4.	Absence of monitoring of and exercising diligence over collection from/payment to external parties and items in temporary clearing accounts		✓		✓
8.5.	Reconciliation of direct and indirect tax		✓		✓
8.6.	Opening balances		✓		✓

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2.3.2 The following diagrams summarize the current remediation status of the Audit Points. In the diagrams below, where AHTC has informed us of remedial measures but review or testing of the measures has not yet commenced, we have described them as "Open":





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3 Status as of April 2016 Monthly Report: root causes

3.1 Root causes of certain Audit Points

3.1.1 There are a number of root causes that are fundamental to a number of the Audit Points; and/or present systemic difficulties for AHTC in effectively and/or efficiently discharging its obligations under s35(c) of the TCA.

3.1.2 These root causes relate to the following areas:

- AHTC's governance framework and policy management;
- AHTC's accounting practices;
- AHTC's Finance Department's capability and management personnel retention; and
- The Accounting System used by AHTC to record and account for its transactions.

3.2 AHTC's Governance framework and policy management

Summary of work undertaken

3.2.1 We have obtained and reviewed policies in relation to the Audit Points and reviewed newly created policies and updates made to current policies.

3.2.2 We have also reviewed the self-declared Corporate Governance Compliance checklist for FYEs 2014 and 2015 submitted by AHTC to the Ministry of National Development (the "MND")¹².

3.2.3 AHTC informs us that it has embarked on a tender qualification policy and standard operating procedure, including drafting of a "Master Control" policy to define how policies are structured and numbered, the approval authority, document-naming convention, and an index of all approved policies and procedures.

Observations

3.2.4 AHTC does not have a policy management process to manage the creation, updating and management of all corporate policies and procedures. This would include approval processes, version control, effective dates, training and communication, and policy document management.

3.2.5 AHTC also does not have a governance and internal control framework providing a top-down structure for Town Council governance, compliance, and risk management. AHTC informs us that files stored in the shared server and the Accounting System are backed up daily to off-site servers and back-up tapes as part of AHTC's Disaster Recovery Plan. AHTC provided us with documents relating to IT back-up and disaster recovery on 14 April 2016, which we have yet to review.

¹² In June and August 2015 respectively.



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- 3.2.6 Terms of reference for AHTC's committees (Estates & Community Liaison, Finance & Investment, Audit, and Tenders & Contracts) are currently recorded in AHTC's minutes of meetings. Draft terms of reference documents were provided to us on 13 April 2016, which have been approved by the Town Council General Manager for tabling at the next Town Council meeting. These have been enhanced to include membership, quorum and frequency of meetings.

Remediation Plan

- 3.2.7 An initiative to review AHTC's policies and procedures, including areas where enhancement or development is required, is being led by AHTC's Head of Corporate Services.

- 3.2.8 We have discussed and agreed with AHTC that it will implement a policy management process to manage the creation, updating and management of all corporate policies and procedures, to be progressively implemented with completion targeted to be in July 2016. The policy management process will include:

- A policy approval process;
- Controls over the effective dates for application of new policies and retirement of superseded policy documentation;
- Training and communication; and
- Policy document management.

- 3.2.9 We have discussed and agreed with AHTC that it will implement a governance and internal control framework to be progressively implemented with completion targeted to be in July 2016. The governance and internal control framework will contain the following elements:

- Collection and collation of terms of reference for AHTC Town Councillors and AHTC committees into discrete terms of reference documents;
- Addition to such terms of reference of membership, quorum, frequency and conduct of meetings, authority and mechanism to discharge the oversight roles and responsibilities;
- Policies detailing the structure, approach, sources of assurance, and monitoring and tracking mechanisms for ensuring compliance with Town Council policies; and
- Compliance and risk management policies.

Recommendations

- 3.2.10 Pending further review.



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3.3 AHTC's accounting practices

Summary of work undertaken

3.3.1 We have interviewed AHTC's Finance Department personnel and observed their performance of key accounting activities.

Observations

3.3.2 There are certain practices in respect of the accounting process and maintenance of records of AHTC that should be improved:

- Monthly closing of the accounts is not performed; as a result, account balances for prior periods may change in subsequent periods and affect the ability of the Finance Department to reconcile accounting data to ensure its accuracy;
- Reconciling items in bank reconciliations are not investigated and resolved in a timely fashion;
- Balance sheet substantiation is not performed; and
- The governance for re-opening of locked accounting periods and back-posting of accounting entries is weak.

3.3.3 These shortcomings have consequences for AHTC's ability to test and reconcile accounting data for reliability and entail further workarounds for the performance of certain accounting tasks.

3.3.4 AHTC does not maintain an accounting manual to provide its Finance Department with guidance on accounting treatments, period-end closing procedures, maintenance of the chart of accounts, and accounting-related controls.

3.3.5 AHTC has an approval matrix dated 1 August 2015¹³ indicating the approving authorities for work undertaken by the Finance Department.

3.3.6 AHTC informs us that it has drafted the procedures for month-end, quarter-end and year-end closing and it intends to implement them for FYE 2017.

Remediation Plan

3.3.7 AHTC informs us that, with effect for FYE 2017, it intends to close its accounts within three weeks of the relevant period and that bank reconciliations will be completed at or shortly after the time of closing.

3.3.8 We have discussed and agreed with AHTC that it will progressively implement the following measures with completion targeted to be in July 2016:

- Implement clear guidance on roles and responsibilities for Finance Department staff;

¹³ Last updated on 1 March 2016.



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- Create an accounting manual addressing, at a minimum, the following:
 - Key accounting treatments;
 - Maintenance of the chart of accounts;
 - A monthly, quarterly and annual checklist of time-based accounting processes;
 - Clear requirements for the documents required to support journal vouchers;
 - Clear requirements for the checking and approval of journal entries by a person independent of the maker;
 - Clear requirements for the approval, tracking and reconciliation of posted entries to closed periods in the accounts; and
 - Balance sheet substantiation.

Recommendations

3.3.9 Pending further review.

3.4 AHTC Finance Department's capability and management personnel retention

Observations

- 3.4.1 At the time of commencement of our work, the Finance Department consisted of 20 members of staff. Nine non-management personnel were transferred from FMSS (the previous managing agent) in July 2015. Fifteen new staff members were subsequently hired (four of whom have since resigned).
- 3.4.2 AHTC informed us that it has, for a variety of reasons, had difficulties in recruiting and retaining managerial personnel in its Finance Department, who have an important role in providing direction and guidance in the activities of the Finance Department. At the time of commencement of our work, AHTC had a Deputy Finance Manager (who joined in May 2015) and an Assistant Finance Manager (who joined in July 2015 and left in March 2016), but no Finance Manager.
- 3.4.3 We have noted the following, which appears to be at least in part related to the turnover of AHTC's Finance Department personnel:
- Loss of institutional knowledge of internal accounting practice and the capabilities and operation of the Accounting System;
 - Loss of institutional knowledge about the historical business and transactions of AHTC; and
 - Inconsistency in approaches to accounting practices and controls over time, in particular where accounting procedures are not formalized.



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Remediation Plan

- 3.4.4 AHTC informed us that it is strengthening the management of its Finance Department by hiring more managerial personnel, appointing two consultants to assist with remediating some outstanding book-keeping matters, and has recruited a second Deputy Finance Manager.

Recommendations

- 3.4.5 Pending further review.

3.5 AHTC's Accounting System

Summary of work undertaken

- 3.5.1 We have interviewed AHTC's Finance Department personnel and two of AHTC's external consultants and observed their performance of key accounting processes to observe the functionality of the Accounting System.

Observations

- 3.5.2 The Accounting System on which AHTC's accounts are maintained uses accounting hardware and software that is heavily customized and is no longer supported with software updates or by system integrators. It is not user-friendly and is unable to provide reports in a form that support accounting processes efficiently. These limitations create a number of challenges for AHTC's Finance Department, including:
- The inability to generate certain types of accounting reports (e.g. the S&CC receivable listing) and certain detailed reports to substantiate some balances in the general ledger;
 - The need for end-users to perform certain accounting procedures manually, including preparation of supporting schedules when required, outside of the Accounting System; and
 - The inability to complete certain accounting operations automatically, such as year-end balance rollovers.

Remediation Plan

- 3.5.3 AHTC, on 29 January 2016 and 22 March 2016, issued a tender for prequalification of contractors for the "Design, Development including the supply, Installation & Commissioning of IT Hardware & ERP Software" to replace the current Accounting System financial modules and incorporate other improvements.
- 3.5.4 We have discussed and agreed with AHTC that it will implement the following measures:



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- Ensure the general ledger control accounts in the Accounting System are appropriately configured so that the balances in the general ledger accounts are derived from, and balances match with, the corresponding sub-ledgers; and
- Arrange for the provision of detailed transaction reports to provide the information required for AHTC's Finance Department to perform review and to substantiate management and financial reporting.

Recommendations

3.5.5 Pending further review.



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4 Status as of April 2016 Monthly Report: management of Sinking Fund

4.1 Audit Points

4.1.1 The Audit Points raised on the management of AHTC's Sinking Fund can be categorized as follows:

- Incorrect computation of required transfers to the Sinking Fund, and/or shortfall or delay in transfer to Sinking Fund bank accounts; and
- Incorrect use of Sinking Fund monies.

4.2 Town Council Sinking Funds

4.2.1 Section 33(4) of the TCA requires Town Councils to "establish and maintain [...] separate sinking funds for improvements to and the management and maintenance of residential property and of commercial property."

4.2.2 Section 33(6)(a) of the TCA provides that the Sinking Fund "can only be used for the purposes of meeting expenses or liabilities properly attributable to that sinking fund in respect of –

- (i) cyclical major repainting of any part of the common property of the residential property and commercial property in the housing estates of the Board within the Town;
- (ii) renewal or replacement of any roofing system, water tanks, pumps and water supply system, electrical supply system, lightning protection system and lifts existing for common use or purposes of residents of the residential or commercial property in the housing estates of the Board within the Town;
- (iii) lift upgrading works under Part IVA and major repairs and maintenance of the common property of the residential property and commercial property and boundary walls of the housing estates of the Board within the Town;
- (iv) improvement contributions due to the Board in respect of general upgrading works carried out under Part IVA of the Housing and Development Act (Cap. 129) on any part of the common property in the housing estates of the Board within the Town; or
- (v) any other works which may be prescribed from time to time."

4.2.3 The TCFR includes a number of requirements relating to the management of Sinking Funds. In particular, rule 4 of the TCFR states:

4 Sinking funds

(2A) A Town Council shall maintain separate bank accounts for the funds established for:



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- a) The management and maintenance of residential property and commercial property within the Town; and
- b) The sinking fund established for residential property and commercial property within the Town.

(2B) Within one month from the end of each quarter of each financial year, a Town Council shall:

- a) Transfer to the bank account of the sinking funds established for the residential and commercial property within the Town, the amount of conservancy and service charges, grants-in-aid and interest that are payable to the sinking funds and that were received by the Town Council; and
- b) Reflect the outstanding conservancy and service charges and interest that are payable to the sinking funds established for the residential and commercial property within the Town as a debt owing to the sinking fund on the books of accounts.

4.2.4 Accordingly, AHTC is obliged to make transfers from the bank accounts of its Operating Fund¹⁴ to those of its Sinking Fund within a month of each quarter-end. The amount required to be transferred to the Sinking Fund bank accounts is based on the S&CC received by AHTC from its residents and commercial tenants and other amounts described in s4(2B)(a) above, such as Goods & Services Tax ("GST") subvention grants made by the government.

4.3 Incorrect computation of required transfers to the Sinking Fund, and/or shortfall or delay in transfer to Sinking Fund bank accounts

Summary of work undertaken

- 4.3.1 We are reviewing the current process used in calculating the quantum of S&CC and GST subvention grants attributable to the Sinking Fund and the process by which the quantum is transferred – in monies and/or receivables.
- 4.3.2 We are reviewing the historical transfers to the Sinking Fund for the period from April 2014 to June 2015 to verify that the required amounts were transferred to the Sinking Fund bank accounts. We have not yet reviewed transfers prior to April 2014.
- 4.3.3 We are reviewing the process by which the Finance Department computes the receivables attributable to the Sinking Fund, as disclosed in the notes to its financial statements.

¹⁴ A fund for short-term routine expenditure, e.g. estate cleaning, repairs and maintenance.



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Observations

- 4.3.4 Monies, such as S&CC income and government grants, are first received into the bank accounts of AHTC's Operating Fund. The Sinking Fund transfer computations for each quarter (being 30% to 35% of the S&CC and GST subvention grants) are performed by the Finance Department.
- 4.3.5 As identified in the AGO's Report, AHTC has not made transfer, or has made part transfers, to the Sinking Fund bank accounts on a number of occasions. Except where those are due to calculation error, AHTC informed us that it was due to AHTC having insufficient funds as a result of grants being withheld by MND¹⁵.
- 4.3.6 The most recent transfers to the Sinking Fund bank accounts were:
- For the period from January to March 2015, two transfers of SGD159,581.55 (in July 2015, four months after quarter-end) and SGD4,514,555.48 (in January 2016, 10 months after quarter-end);
 - For the period from April to June 2015, SGD4,694,464.76 in November 2015, five months after the quarter-end; and
 - AHTC has arranged for SGD9,134,374.06 to be transferred its Sinking Fund bank accounts by 15 April 2016.
- 4.3.7 For the periods we are currently reviewing, April 2014 to June 2015, where bank transfers have been made, AHTC has transferred the full value of the S&CC and GST subvention grants attributable to the Sinking Fund; i.e., without deducting the amounts still receivable. This resulted in the sum transferred being larger than the required amount.
- 4.3.8 AHTC discloses the receivables held by the Sinking Fund in the notes to its financial statements. AHTC informed us that it does not segregate Sinking Fund receivables from Operating Fund receivables in its general ledger. The Finance Department manually computes the receivables attributable to the Sinking Fund for the purpose of preparing AHTC's annual financial statements.
- 4.3.9 We were informed by AHTC that an external consultant was engaged to assist AHTC prepare supporting schedules and documents, including those used to compute the receivables attributable to the Sinking Fund, for provision to its statutory auditors for FYE 2015. We have yet to review these supporting schedules and documents, which were provided to us on 11 April 2016.

Remediation Plan

- 4.3.10 We have discussed and agreed with AHTC that by the next Monthly Report in May 2016, it will establish a policy, supported by procedures, for transfers to its Sinking Fund to include:
- Calculation of Sinking Fund transfers;

¹⁵ AHTC received S&CC operating grants totaling SGD12,863,511.57 from MND on 14 April 2016.



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- Review and approval of Sinking Fund transfers; and
- Standardized documentation and supporting documentation requirements for calculation, review and approval of Sinking Fund transfers.

4.3.11 AHTC will also, in conjunction with the introduction of the new ERP system:

- Transfer to the Sinking Fund bank accounts only of monies that have been collected and are attributable to the Sinking Fund; and
- Automate the computation of the quantum to be transferred to the Sinking Fund bank accounts from S&CC and GST subvention grants.

Recommendations

4.3.12 Pending further review.

Status

4.3.13 This Audit Point is in the process of being remedied.

4.4 Incorrect use of Sinking Fund monies

Summary of work undertaken

4.4.1 We have requested sample transactions to test the operating effectiveness of AHTC's guidelines on the types of expenses for which the Sinking Fund may be used.

Observations

4.4.2 Guidelines on the types of expenses for which the Sinking Fund may be used have been created.

Remediation Plan

4.4.3 AHTC informed us that the guidelines were implemented in January 2016.

Recommendations

4.4.4 Recommendations, if any, are pending the completion of testing.

Status

4.4.5 While the Remediation Plan for this Audit Point has been implemented, it is pending the completion of testing.



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5 Status as of April 2016 Monthly Report: governance of related party transactions

5.1 Audit Points

5.1.1 The Audit Points raised on the governance of transactions with FMSS and FMSI can be categorized as follows:

- Incomplete disclosure of transactions with the Related Parties in the financial statements;
- Waiver of open tenders and competitive quotations for services provided by the Related Parties;
- Lack of disclosures, due diligence and assessment of potential conflicts of interest prior to awarding contracts to the Related Parties;
- Weaknesses in the approval of payments to the Related Parties; and
- Approvals for services obtained and written agreements executed after the awarding and commencement of services provided by the Related Parties.

5.2 Incomplete disclosure of transactions with the Related Parties in the financial statements

Summary of work undertaken

5.2.1 We are reviewing transactions undertaken by AHTC to identify any further transactions with the Related Parties after the contracts with them ended.

Observations

5.2.2 AHTC informed us that there have not been any subsequent transactions with the Related Parties.

Remediation Plan

5.2.3 AHTC's contract with FMSI ended on 14 October 2012; the contract with FMSS ended on 14 July 2015.

5.2.4 We have discussed and agreed with AHTC that by the next Monthly Report in May 2016 it will establish a policy, and supporting procedures, for related parties and transactions with related parties to ensure that it is compliant with s35(c) of the TCA and its financial statements are compliant with FRS 24 *Related Party Disclosures*.



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Recommendations

5.2.5 Pending further review.

Status

5.2.6 This Audit Point is in the process of being remedied.

5.3 Waiver of open tenders and competitive quotations for services provided by the Related Parties

Summary of work undertaken

5.3.1 We are currently testing the operating effectiveness of AHTC's policies and procedures on the calling of quotations and tenders.

Observations

5.3.2 Policies and procedures on the calling of quotations and tenders were revised in February 2016.

Remediation Plan

5.3.3 AHTC has established policies and procedures on the calling of quotations and tenders, including:

- The requirements for the waiver of quotations, which state that tenders for purchases of goods or services expected to exceed SGD70,000 must be called; and
- The requirements in the tender policy to conduct checks on shareholders and directors of potential vendors and evaluate these against AHTC's staff list and conflict of interest declarations.

5.3.4 We have discussed and agreed with AHTC that by the next Monthly Report in May 2016 it will include the criteria, documentation, justification, and approval process for waivers of competition and quotations in the standard operating procedures for tenders and quotations.

Recommendations

5.3.5 Pending further review.

Status

5.3.6 This remediation for this Audit Point is in the process of being tested.



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5.4 Lack of disclosures, due diligence and assessment of potential conflicts of interest prior to awarding contracts to the Related Parties

Summary of work undertaken

- 5.4.1 We have reviewed the Conflicts of Interest Policy and the Declaration Confirming the Absence of any Conflict of Interest forms completed by AHTC's management and employees, as well as the independence declarations submitted by the Town Councillors.

Observations

- 5.4.2 AHTC implemented a Conflicts of Interest policy on 15 July 2015.
- 5.4.3 AHTC also implemented¹⁶ a requirement for tenderers to confirm the absence of any conflicts of interest in their standard operating procedures for tenders.
- 5.4.4 AHTC has drafted separate written terms of reference documents describing the roles and responsibilities of Town Councillors and its committees as of 13 April 2016.

Remediation Plan

- 5.4.5 AHTC's Conflicts of Interest policy requires its management and employees to declare potential conflicts of interest annually. We noted the following:
- All management and employees as at 7 March 2016 completed the "Declaration Confirming the Absence of any Conflict of Interest" form (covering the period from July 2015 to June 2016).
 - The Conflicts of Interest policy does not extend to Town Councillors nor is covered in the terms of reference found in the AHTC meeting minutes for Town Councillors or the AHTC committees (such as the Financial & Investment Committee or Tender & Contracts Committee). Nineteen of the 23 Town Councillors submitted independence declarations. Of these, two were on superseded versions of the independence declarations.
 - The Conflicts of Interest policy states that the solicitation and acceptance of gifts (e.g. cash, cash equivalents, meals, travel and entertainment) from a potential business partner is prohibited and is an example of a potential conflict.
 - The Conflicts of Interest policy prohibits management and employees having outside employment with and personal financial interests in AHTC's contractors, vendors and service providers.

¹⁶ The tender standard operating procedures document containing this requirement is not dated.



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- 5.4.6 We have discussed and agreed with AHTC that, by the end of July 2016, it will establish a Code of Business Conduct (including AHTC's position on employee declarations of external employment and financial interests, provision and acceptance of gifts, hospitality and donations) to be communicated to all AHTC's management and employees. Management and employees should receive training on the Code of Business Conduct at induction and confirm their adherence to it (and periodically thereafter). The Code of Business Conduct will also be distributed and applicable to AHTC's contractors, vendors and service providers, as well as the Town Councillors and AHTC's committees.
- 5.4.7 At the commencement of our work, AHTC management and employees were neither prohibited from seeking or holding external employment (provided that it does not affect or disrupt their duties to AHTC) nor were they required to declare board positions or directorships in or ownership of other organizations. AHTC has revised the Conflicts of Interest policy to address these observations.
- 5.4.8 AHTC disseminated an updated Conflicts of Interest declaration form to staff on 9 April 2016 reflecting the revised Conflicts of Interest policy covering the period April 2016 to March 2017, for completion and submission by 15 April 2016.
- 5.4.9 AHTC has agreed to formally extend its Conflicts of Interest policy to Town Councillors by 15 April 2016 for completion and submission by the next Monthly Report in May 2016.

Recommendations

- 5.4.10 Pending further review.

Status

- 5.4.11 This Audit Point is in the process of being remedied.

5.5 Weaknesses in the approval of payments to the Related Parties

Summary of work undertaken

- 5.5.1 We have reviewed the Conflicts of Interest policy and the Declaration Confirming the Absence of any Conflict of Interest forms completed by AHTC's management and employees, as well as the independence declarations submitted by the Town Councillors.

Observations

- 5.5.2 The Conflicts of Interest policy provides for the declaration of potential conflicts. It does not explicitly cover the approval of payments to related parties.
- 5.5.3 The meeting minutes for the Town Council meeting of August 2011, record that AHTC required that all payments to FMSS, regardless of amount, must be co-



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signed by AHTC's Chairman or Vice-Chairman, who held no interests in FMSS. Our review of AHTC's adherence to this policy has not been completed at the date of this Monthly Report.

Remediation Plan

- 5.5.4 A Conflicts of Interest policy was implemented on 15 July 2015 and has been updated for the observations made in section 5.4 above. AHTC has added a requirement for staff to declare potential conflicts of interest in relation to approvals, including approval of payments, and to recuse themselves from such approvals as of 11 April 2016.

Recommendations

- 5.5.5 Pending further review.

Status

- 5.5.6 This Audit Point is in the process of being remedied.

5.6 Approvals for services obtained and written agreements executed after the awarding and commencement of services provided by the Related Parties

Summary of work undertaken

- 5.6.1 We have requested sample contracts to test for lapses in practice whereby work commences prior to the approval of the service and/or signing of the contract.

Observations

- 5.6.2 AHTC does not have a written contract management policy.

Remediation Plan

- 5.6.3 An initiative to review AHTC's policies and procedures, including areas where enhancement or development is required, is being led by AHTC's Head of Corporate Services. We have discussed and agreed with AHTC that it will document its contract management policy, which AHTC informs us will be done by mid-May 2016.

Recommendations

- 5.6.4 Pending further review.



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Status

5.6.5 This Audit Point is in the process of being remedied.



15 April 2016

6 Status as of April 2016 Monthly Report: management of S&CC arrears

6.1 Audit Points

6.1.1 The Audit Point pertaining to the management of S&CC arrears relates to:

- Differences in the S&CC arrears reports submitted to MND and AHTC's Finance & Investment Committee;
- AHTC's inability to generate a breakdown of S&CC advances and aging analysis; and
- Incorrect amendments of identifiers (bill codes) in the Accounting System.

6.2 Management of S&CC arrears

Summary of work undertaken

6.2.1 The AGO's Report identified certain discrepancies between the S&CC arrears reports provided to HDB and those provided to the AHTC Finance & Investment Committee. AHTC's response to the AGO's Report indicated that the Finance & Investment Committee met every month except where there was a Town Council meeting (which are quarterly). AHTC informs us that, with effect from last quarter of 2015, the Finance & Investment Committee has decided to hold its meetings on a quarterly basis.

6.2.2 We have reviewed the monthly arrears reports submitted to HDB from April 2015 to January 2016. We are yet to ascertain whether the balances in the monthly arrears reports can be reconciled to the general ledger.

6.2.3 We have been provided with AHTC's Finance & Investment Committee minutes of meetings held on:

- 10 January 2013;
- 11 April 2013;
- 17 October 2013;
- 7 February 2014; and
- 17 December 2015.

6.2.4 These minutes record the tabling of S&CC arrears reports for the months of:

- December 2012;
- March 2013;
- August 2013;
- November 2013;



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- February 2015; and
- March 2015.

6.2.5 AHTC has provided us with the data extraction from the accounts receivable sub-ledger. However, this is not analyzable without undergoing conversion.

6.2.6 We have requested an interview with AHTC's external IT vendor to understand the process of the maintenance of identifiers (i.e. bill codes).

Observations

6.2.7 AHTC submits its S&CC arrears reports by type of property (i.e. residential, commercial and hawker stalls) showing the number of months that each type was in arrears. The monthly arrears reports provided to us are addressed to HDB, rather than MND. AHTC informed us that submission to HDB is the standard practice.

Remediation Plan

6.2.8 As noted in section 3.5, on 29 January 2016 and 22 March 2016 AHTC issued a tender for prequalification of contractors for the "Design, Development including the supply, Installation & Commissioning of IT Hardware & ERP Software" to replace the current Accounting System financial modules and incorporate other improvements.

6.2.9 In the interim, an external consultant has worked with AHTC to write a script to generate S&CC arrears reports that meet HDB's requirements. AHTC informs us that it is currently able to generate the data for such reports to be entered into a standard template manually. AHTC expects its Accounting System to be able to generate the S&CC arrears reports without manual entry from mid to late April 2016 onwards.

6.2.10 AHTC informs us that it is preparing a user guide for the S&CC report, anticipated to be completed by the next Monthly Report in May 2016, to facilitate knowledge transfer and training.

6.2.11 AHTC informs us that it will work with its external consultant to create a report detailing the aging of the accounts receivable in a user-friendly format.

Recommendations

6.2.12 Pending further review.

Status

6.2.13 This Audit Point is in the process of being remedied.



15 April 2016

7 Status as of April 2016 Monthly Report: internal controls and procurement

7.1 Audit Points

7.1.1 The Audit Points raised on internal controls and procurement can be categorized as follows:

- Weaknesses in the performance of bank reconciliations;
- Weaknesses in controls over cheques received and valuable items and access to the strong room and safe;
- Surprise examinations not conducted in accordance with TCFR; and
- Weaknesses in procurement and payment-related processes.

7.2 Weaknesses in the performance of bank reconciliations

Summary of work undertaken

7.2.1 We are reviewing AHTC's bank reconciliations and testing the operating effectiveness of the bank reconciliation process.

Observations

7.2.2 AHTC has four bank accounts (two for its Operating Fund and two for its Sinking Fund). AHTC's Finance Department performs monthly bank reconciliations on each of its bank accounts.

7.2.3 We observed the following:

- Reconciling items comprise only unrecorded credit, which are cleared within a reasonable period, and unrepresented cheques, some of which have been outstanding for more than six months.
- The bank reconciliation for January 2016, pertaining to one of the Operating Fund accounts, contained 17 unrepresented cheques over six months old totalling SGD677,105.91.

Remediation Plan

7.2.4 Bank reconciliations have been performed on a monthly basis on all bank accounts individually (as opposed to a consolidated basis) since July 2013.

7.2.5 We have discussed and agreed with AHTC that, with effect for FYE 2017, it will establish a policy to cover monitoring, investigating and addressing reconciling items that appear in its bank reconciliations in a timely manner. Under the policy, any items that would be considered void (e.g. cheques which have not cleared



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within six months) will be removed from the bank reconciliations and reversed in the general ledger.

- 7.2.6 We have discussed and agreed with AHTC that, with effect for FYE 2017, it will perform monthly closing of accounts to facilitate the performance of bank reconciliations (see section 3.3).

Recommendations

- 7.2.7 Pending further review.

Status

- 7.2.8 This Audit Point is in the process of being remedied.

7.3 Weaknesses in controls over cheques received and valuable items and access to the strong room and safe

Summary of work undertaken

- 7.3.1 We have observed and tested the processes for safeguarding of cheques and access to the strong room and safe.

Observations

- 7.3.2 Controls over received cheques and physical access to the strong room and safe were implemented prior to the commencement of our work¹⁷.
- 7.3.3 Cheques received but not banked and blank cheques are kept in the safe, which in turn is located in the strong room under dual lock. The keys to the safe are held by two individuals, who are separate to the two individuals who hold the keys to the strong room.

Remediation Plan

- 7.3.4 AHTC has implemented processes for:
- The recording of incoming mail and cheques; and
 - The handover and sign-off of incoming cheques from the receptionist to the Finance Department.
- 7.3.5 The safe is located in the strong room under dual lock. The keys to the safe are held by two individuals, who are separate from the individuals who hold the keys to the strong room.

¹⁷ These practices are not supported by a written policy with a date on which it came into effect.



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- 7.3.6 The custodians of the keys to the strong room were appointed by AHTC's Chairman/Secretary on 25 August 2015. New custodians were appointed on 1 March 2016.
- 7.3.7 AHTC established a written policy on the custodian and the safekeeping of keys on 12 April 2012.

Recommendations

- 7.3.8 No further recommendations.

Status

- 7.3.9 This Audit Point is resolved.

7.4 Surprise examinations not conducted in accordance with TCFR

Summary of work undertaken

- 7.4.1 We performed surprise cash examinations at AHTC's Hougang Central, Serangoon North and Kaki Bukit offices. No discrepancy was identified.

Observations

- 7.4.2 The Town Council Secretary appointed a representative officer to perform surprise cash examinations on 23 December 2015. Cash examinations commenced on 6 January 2016 and the cash examinations of all branches had been completed by the Town Council Secretary or his appointed representative officers by 8 March 2016. Records of these examinations are maintained.

Remediation Plan

- 7.4.3 AHTC commenced conducting surprise cash examinations and maintaining records of these examinations in January 2016.
- 7.4.4 AHTC established a policy on the conduct and responsibility for surprise cash examinations on 13 April 2016.

Recommendations

- 7.4.5 No further recommendations.

Status

- 7.4.6 This Audit Point is resolved.



15 April 2016

7.5 Weaknesses in procurement and payment-related processes

Summary of work undertaken

7.5.1 We are testing the operating effectiveness of the implemented procurement and payment-related policies and procedures.

Observations

7.5.2 While AHTC has implemented policies and supporting procedures for a number of procurement and payment-related processes, there remain some areas that are not addressed by a written policy.

Remediation Plan

7.5.3 AHTC has implemented the following policies, and supporting procedures:

- Tender standard operating procedures;
- Standard operating procedures for calling of quotation, which includes requirements on waiver of quotation;
- Delegation of authority;
- Process flow for issuance of work instruction and work order;
- Process flow for closing of work order and invoicing; and
- Process flow for work order, accounts payable and payment.

7.5.4 An initiative to review AHTC's policies and procedures, including areas where enhancement or development is required, is being led by AHTC's Head of Corporate Services.

7.5.5 We have discussed and agreed with AHTC that, by the next Monthly Report in May 2016, it will extend its policies and procedures for procurement and payment-related processes, to include vendor due diligence, evaluation and management, and also for waiver of competition and tender (as described in section 5.3).

Recommendations

7.5.6 Pending further review.

Status

7.5.7 This Audit Point is in the process of being remedied.



15 April 2016

8 Status as of April 2016 Monthly Report: records management and accounting

8.1 Audit Points

8.1.1 The Audit Points raised on AHTC's records management and accounting can be categorized as below.

- Audit Points for which we have started our review:
 - Weaknesses in the handover process and safeguarding of accounting records;
 - Management of S&CC receivables (addressed in section 6.2); and
 - Untimely recording of lift repairs and upgrading expenses, and absence of guidelines for verification of works and issuance of work orders.
- As at the date of this Monthly Report, we have not substantively reviewed the following Audit Points which therefore remain open:
 - Absence of monitoring of and exercising diligence over collection from/payment to external parties and items in temporary clearing accounts;
 - Reconciliation of direct and indirect tax; and
 - Opening balances.

8.2 Weaknesses in the handover process and safeguarding of accounting records

Summary of work undertaken

8.2.1 We have reviewed a handover checklist completed by a member of AHTC's Finance Department who left in March 2016.

Observations

8.2.2 AHTC does not have written policies for the handing-over of duties and records.

8.2.3 AHTC informs us that files stored in the shared server and the Accounting System are backed up daily to off-site servers and back-up tapes as part of AHTC's Disaster Recovery Plan. AHTC provided us with documents relating to IT back-up and disaster recovery on 14 April 2016, which we have yet to review.

Remediation Plan

8.2.4 A new staff exit clearance form (department level) was introduced on 1 April 2016, in addition to the existing staff onboarding and exit clearance checklist.



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- 8.2.5 We have discussed and agreed with AHTC that it will implement written policies, and supporting procedures, for the handing and taking-over of duties and records, arrangements for the back-up of data, data management and record retention for all departments, to be progressively implemented with completion targeted to be in July 2016.

Recommendations

- 8.2.6 Pending further review.

Status

- 8.2.7 This Audit Point is in the process of being remedied.

8.3 Untimely recording of lift repairs and upgrading expenses, and absence of guidelines for verification of works and issuance of work orders

Summary of work undertaken

- 8.3.1 We have interviewed personnel from AHTC's Finance, Administrative and Estate Departments and observed their performance of duties in relation to the Work Order system.

Observations

- 8.3.2 The AGO's Report identified cut-off errors on the recording of lift repairs and upgrading expenses and delays in the issuance of work orders.
- 8.3.3 A Work Order system was introduced in 2012 to ensure that such expenditure is captured. Liabilities are recorded once work orders have been closed and posted.
- 8.3.4 AHTC has documented the process flows for Written Instruction and Work Orders. A spreadsheet is used to monitor project status. Project progress has not been tracked for the purpose of liability accruals but the spreadsheet could be used for such a purpose.

Remediation Plan

- 8.3.5 AHTC has documented the following:
- Process flow chart for issuance of written instructions and work orders;
 - Process flow chart for closing of work orders and invoicing; and
 - Process flow for work orders, accounts payable and payments.



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- 8.3.6 AHTC informs us that it is drafting the following policies and procedures for implementation with effect for FYE 2017:
- Guidance to ensure that its expenditures are accounted for in a timely manner and in the correct accounting period; and
 - Standard operating procedures including, at a minimum, year-end cut off procedures.

Recommendations

- 8.3.7 Pending further review.

Status

- 8.3.8 This Audit Point is in the process of being remedied.

8.4 Absence of monitoring of and exercising diligence over collection from/payment to external parties and items in temporary clearing accounts

Summary of work undertaken

- 8.4.1 AHTC has provided us with the status of the remedial actions taken to address matters highlighted in the AGO's Report.
- 8.4.2 The batch numbers of journals entries posted to remedy transactions identified in the AGO's Report and certain supporting documents were provided. Other supporting documentation for the remedial actions pertaining to the specific transactions highlighted in the AGO's Report will be needed from AHTC in due course.

Observations

- 8.4.3 The AGO's Report identified certain collections that were not updated to reflect their current status. There were also payments that were not matched to or reversed from accrued expenses. This implies that AHTC's liabilities were overstated as these items had been settled and were no longer payable.
- 8.4.4 To review the accounting for collections, we require details of receivables and receipts. To review the accounting for payments, we require details of AHTC's accrued expenses. The Accounting System does not produce supporting schedules for receivables and payables balances; we have been provided with a download from the Accounting System of payables and receivables data, which we are converting to a useable format. AHTC has engaged two external consultants to assist in the preparation of such supporting schedules for payables and receivables for FYE 2017.



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- 8.4.5 AHTC has 14 temporary clearing accounts, of which two have zero balances. Monthly schedules are not prepared to support the balances in these accounts.

Remediation Plans

- 8.4.6 AHTC has engaged two external consultants whose scope includes resolving postings to these clearing accounts.

Status

- 8.4.7 This Audit Point remains open.

8.5 Reconciliation of direct and indirect tax

Summary of work undertaken

- 8.5.1 We are in discussions with AHTC to obtain more information and supporting documentation on its direct and indirect tax calculations and payments.

Observations

- 8.5.2 The AGO's Report observed that AHTC did not perform reconciliations of its GST balances and income tax provisions in its general ledger to the quarterly GST returns and notice of assessments from the Inland Revenue Authority of Singapore, respectively. Also, AHTC did not transfer GST input tax claimed on Sinking Fund expenditure into the Sinking Fund bank account.
- 8.5.3 From preliminary discussions with AHTC, it appears likely that there are timing errors in AHTC's GST calculations, for example
- GST input tax is claimed on work order accruals (when the work is completed but not billed) ahead of the receipt of invoices from the suppliers; and
 - AHTC reports GST output tax on S&CC upon billing. As a result, GST output tax is not reported in AHTC's GST returns on S&CC monies which are received in advance, ahead of billing.

Remediation Plans

- 8.5.4 AHTC informs us that it will perform GST reconciliations during the quarterly closing process to take place in FYE 2017.

Status

- 8.5.5 This Audit Point remains open.



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8.6 Opening balances

Summary of work undertaken

- 8.6.1 We are in discussions with AHTC on the information and supporting documentation required to address its unresolved opening balance items.

Observations

- 8.6.2 The audit report on AHTC's financial statements for FYE 2015 makes reference to unresolved opening balance items.

Status

- 8.6.3 This Audit Point remains open.